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Research News for the U.S. Travel Industry

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TRAVEL PRINTOUT

US Travel Data Center

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1990: A Strong Year for Travel But Industry Advised to Proceed With Caution

Buoyed by a third consecutive year of record-breaking totals in all major categories, the U.S. travel industry can look forward to continued growth in 1990. This was the commanding message conveyed to delegates at the US Travel Data Center's 1990 Travel Outlook Forum held earlier this month in Hollywood, Florida.

At the same time, speakers at the forum, cosponsored by the Travel and Tourism Research Association, cautioned that overall economic growth will be modest in 1990, and that long-term infrastructure needs, as well as environmental and other problems, will pose challenges to travel marketers in the future.

Keynote speaker, Dr. George Eads, vice president and chief economist for the General Motors Corporation, in a forecast generally echoed by other speakers and panelists at the day-long event, predicted modest, sustained growth for the U.S. economy in 1990, with no significant moderation in inflation, but some risk of recession.

The projections for a positive outlook followed a report by Dr. Suzanne Cook, director of the US Travel Data Center, that overall travel volume in the United States could increase by as much as 5 percent over 1988's record-breaking total to reach 1.3 billion person-trips. This will mark the fifth consecutive year of growth in U.S. resident travel. (A person-trip measures each person who travels 100 miles or more away from home).

According to the Data Center's monthly National Travel Survey, the number of nights spent away from home while traveling is growing at a slower rate than overall travel, up about 3 percent so far this year. In other words, Americans are continuing to take more frequent but shorter trips.

"We have realized that time available for travel, or for any of the numerous other activities in which we must or want to participate, is limited," said Cook. If the current rate of growth in nights continues, the Data Center predicts that total nights spent away from home while traveling to reach approximately 5.3 billion in 1989.

Other forum forecasts include:

- Donald Wynegar, director of the Office of Research, U.S. Travel and Tourism Administration (USTTA), indicated that international travel to the United States -- which is expected to reach an all time high of 36 million visitors in 1989 -- could increase by up to 7 percent in 1990. Wynegar cited a modest weakening of the U.S. dollar against other major world currencies as one of the reasons for the increase. Travel abroad by Americans may grow by as much as 4 percent over 1989's estimated volume of 43 million.
- Price-sensitive competition among major U.S. air carriers is expected to cut into profit margins, predicted Michael Derchin, vice president, Drexel Burnham Lambert, even though air passenger-miles flown will increase by over 3 percent and operating revenue for the airlines will rise by 4 percent in 1990.
- The hotel sector will raise room rates about 4 percent in 1990, according to Randy Smith, president, Smith Travel Research, while the occupancy rate might fall about one-half of a percentage point. Still, dollar sales should rise over 6 percent.
- The high cost of an airline ticket will dampen business travel, according to Bill Niles, director of research for the Reed Travel Group. He expects that business travel will show no growth in the months ahead as air fares rise more for business travelers and as corporations exert more control over travel costs.
- However, convention travel will continue to grow. Ed Hall, executive director of the Greater Birmingham Convention & Visitors Bureau, expects a 3.6 percent growth in convention attendance and a nearly 5 percent increase in expenditures. Regardless, higher air fares could be a key issue in the convention travel marketplace next year.
- The Cruise Lines International Association estimates that cruise lines will have served 3.5 million passengers by the end of this year, a 9.5 percent increase over 1988 passengers, reported Robert Dickinson of Carnival Cruise Lines. Over the next four years, North American capacity will increase (continued on page 3)

Falling Motor Fuel Prices Ease Cost of Travel in August

The overall cost of travel in the U.S. dropped 0.7 percent in August, a moderate decrease led by further declines in motor fuel prices, reports the Travel Price Index (TPI).

Travel Price Index and Components

August 1989 TPI Component	Monthly % Change July to August 1989	Annual % Change August 1988 to August 1989
Transportation	-2.0	7.2
Airline Fares	0.1	6.0
Other Intercity Trans.	0.1	3.9
Intracity Public Trans.	1.2	3.6
Motor Fuel	-3.6	8.2
Lodging	-1.5	5.1
Food and Beverages Away From Home	0.3	4.6
Entertainment	0.6	6.3
TRAVEL PRICE INDEX	-0.7	5.5
CONSUMER PRICE INDEX	0.2	4.7

Source: US Travel Data Center and the U.S. Bureau of Labor Statistics

The TPI, which measures seasonally unadjusted changes in the cost of travel in the U.S., reached 129.0 (1982 - 84 = 100) during August. For comparison, the price of all goods and services purchased by Americans as measured by the Consumer Price Index (CPI) rose 0.2 percent to 124.6.

Motor fuel prices fell 3.6 percent in August for the third consecutive month, which spurred a 2.0 percent drop in the overall cost of transportation. Airline fares and other intercity transportation costs rose one-tenth of a percentage point, while the price of intracity public transportation increased 1.2 percent.

Lodging costs fell 1.5 percent in August, however, food and beverage prices rose 0.3 percent and the cost of entertainment increased 0.6 percent.

Since August 1988, the TPI has risen 5.5 percent, led by a 8.2 percent increase in motor fuel prices and a 8.3 percent jump in the cost of entertainment while traveling. The CPI climbed 4.7 percent for the same 12 month period. ♦♦

Domestic Vacation Travel Stablizes in July

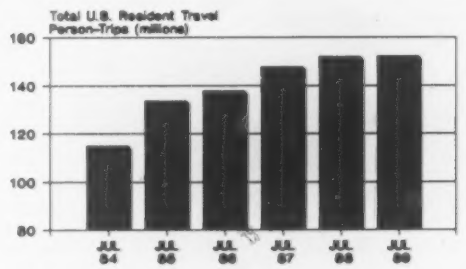
U.S. vacation travel stabilized during July 1989, following last July's 10 percent jump in vacationing, according to the Data Center's latest National Travel Survey (NTS) results.

Overall, travel volumes also leveled off as business travel rose and pleasure travel dropped slightly during July 1989.

The monthly telephone survey also showed that weekend travel, up substantially over year-earlier levels, contributed significantly to the 152 million person-trips taken by Americans in July. (A person-trip measures each person traveling 100 miles or more away from home.)

The July NTS also reports that:

- Travel by auto/truck/RV rose 3 percent, while air travel showed a moderate decrease;
- Use of hotels increased just over 2 percent;
- Average round-trip distance dropped from 960 miles last July to 830 miles in July 1989. ♦♦



TEIM Update

The project team directing the revision of the Data Center's Travel Economic Impact Model (TEIM) recently finalized the updated equations that will allow the model to produce more accurate estimates of United States travel expenditures, travel-generated employment, payroll, and taxes.

The TEIM technical review panel, a group of travel marketing and research professionals from all major segments of the travel industry, provided counsel and recommendations throughout the development of the revised equations.

Major modifications to the TEIM equations will specifically effect calculations of the economic impact of air travel, auto rentals, campground stays, meal purchases, and travel agency activity.

Using the new equations, the project team is now preparing a computer program that will generate revised estimates of the economic impact of U.S. travel for 1977 through 1987. ♦♦

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(continued from page 1)
between 8 percent and 10 percent as 36 new ships are added to the fleet.

♦ Amtrak expects rail passenger revenue to grow 12 percent in 1990, according to Colleen Bush, manager of market forecasting and analysis. Amtrak will continue to offer new services and continue to build on the successful programs in place. Also, the revenue-to-cost ratio will reach 75 percent next year.

♦ The demand for intercity bus transportation will continue to expand in 1990, but not at the 9 percent to 14 percent rates of growth of the past two years, reported Gary Graley, director of marketing research for Greyhound Lines, Inc. They project an increase in revenue passenger-miles of about 5 percent, bringing the total to nearly eight billion passenger-miles in 1990.

♦ Research conducted by the US Travel Data Center for Better Homes and Gardens shows that 78 percent of family vacations are scheduled less than three months in advance, said Peter Mason, travel classification manager for BH&G. Married adults have so far been somewhat unlikely to visit new places, since 76 percent of married adults reported that their most recent trip was a repeat visit.

♦ Ernest Acquaro, vice president of VMS Realty Partners, lists several major trends in leisure travel that will emerge in the next decade: a desire for absolute solitude, the necessity for a close-to-home escape, indulgence in shopping as a leisure activity, growing interest in the spa retreat, and a desire for varied experiences in an adventure vacation.

♦ This year's forum featured the outlook for various ethnic groups' propensity to travel. William McGugins of the Mingo Group, Inc., estimates that the growing black middle class presents a good opportunity for travel marketers. He estimates the size of the market to be nearly $30 billion and predicts that this market segment will turn in 10 percent more trips in 1990 than this year.

♦ The buying power for the U.S. Hispanic market is approaching $171 billion, with California and Texas accounting for 57 percent of the total U.S. Hispanic population, reported James Loretta of the Strategy Research Corporation in Miami.

♦ David Chen, executive vice president of Asian marketing for Muse Cordero Chen, Inc., estimates that Asian-American travelers will have taken 2.5 million trips by the end of 1989 and predicts that number to increase 10 percent in 1990. He says that cruises and European vacations are becoming popular with this market segment.

♦ Looking toward the 21st century, Michael Marien, editor of Future Survey, points to overcrowding and congestion as problems that will worsen. He listed several changes that will transform our world and the way we do business in the future: technology, a global economy, almost exponential population growth, and environmental destruction.

Next months' **Travel Printout** will feature additional highlights from the forum: David Meer, sr. vice president of the Daniel Yankelovich Group, revealed how the changing demographics of Americans will affect consumers' travel patterns; J. Kay Aldous, vice president of public and government services for the AAA, focused on current concerns with the infrastruce of the nations highways and skyways; and William Johnston, vice president for special projects at the Hudson Institute, discussed the changing workforce of the service industry approaching the year 2000.

The 1990 Outlook for Travel & Tourism will be available in December. To reserve your copy, send $125 to the US Travel Data Center, Two Lafayette Centre, 1133 21st Street, NW, Washington, D.C., 20036. ♦♦

Visitor Volume at National Parks

Region	JUL 1989 visits	% Change from JUL 1988*	Year to Date % Change 1988/89*
NEW ENGLAND	2,791,778	6.7%	8.5%
MIDDLE ATLANTIC	4,569,865	-2.8	-0.9
SOUTH ATLANTIC	11,889,443	-4.0	-5.9
EAST SOUTH CENT.	2,697,300	-9.4	-3.6
EAST NORTH CENT.	1,310,388	0.7	-4.2
WEST NORTH CENT.	2,187,388	2.4	-0.9
WEST SOUTH CENT.	1,365,912	-2.7	0.6
MOUNTAIN	7,149,265	1.5	2.2
PACIFIC	7,479,837	1.2	-3.2
TOTAL	41,441,176	-1.2	-2.3

* Percent change figures may not be consistent with those previously reported due to National Park Service revisions.

States compromising the census regions:
New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. **Middle Atlantic:** New Jersey, New York, Pennsylvania. **South Atlantic:** Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia. **East South Central:** Alabama, Kentucky, Mississippi, Tennessee. **East North Central:** Illinois, Indiana, Michigan, Ohio, Wisconsin. **West North Central:** Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota. **West South Central:** Arkansas, Louisiana, Oklahoma, Texas. **Mountain:** Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming. **Pacific:** Alaska, California, Hawaii, Oregon, Washington.

Current Travel Indicators

CURRENT TRAVEL INDICATORS...1989

	Month	Value	Units	Percent Change: Last Month	Year Ago	Year To Date
Establishment Receipts or Retail Sales						
Hotels, Motels, Other Lodging Places(1)	Jul	$ 4,998	million	-4.9	5.9	8.7
Eating and Drinking Places(2)	Jul	$13,748	million	0.5	4.8	7.0
Gasoline Service Stations(2)	Jul	$ 9,339	million	-0.4	10.4	7.5
Commercial Lodging Demand						
Hotel/Motel Occupancy Rates(3)	Jul	62.8	percent	-1.3	0.0	1.4
Real Demand for Commerical Lodging(4)	Jul	64.9	million	-1.9	3.1	4.6
Airline Passenger Traffic (5)						
Domestic Revenue Passenger-Miles	Jul	29.7	billion	2.2	0.1	-1.5
Int'l Revenue Passenger-Miles	Jul	10.8	billion	8.1	5.8	9.8
Highway Traffic Volume (6)						
Rural Arterial Passenger-Miles	Jul	50.1	billion	8.3	3.2	4.4
Rail Passenger Traffic (7)						
Amtrak Passenger-Miles	Jul	559.2	million	6.9	-5.2	4.7
Travel Price Index (1982 - 84 = 100) (8)	Jul	129.9		2.2	7.1	5.4
U.S. Resident Travel						
Total Person-trips(9)	Jul	152.4	million	17.2	0.3	4.9
Vacation Person-trips(9)	Jul	118.3	million	25.1	-0.3	6.7
Total Person-nights(10)	Jul	708.7	million	32.1	-12.1	-6.2
Vacation Person-nights(10)	Jul	611.6	million	48.6	-10.1	-3.5
Public Use of National Parks (11)						
Visits	Jul	41,441,176		25.4	-1.2	-2.3
Overnight Stays	Jul	3,348,656		29.9	-1.0	0.0
Foreign Arrivals to the U.S.						
From Overseas(12)	Jun	1,235,204		11.0	8.4	12.7
From Canada(13)	Jul	2,083,097		94.9	8.4	11.7
From Mexico(12)	Jun	93,221		4.2	12.4	27.1
U.S. Citizen Departures						
To Overseas(12)	Jun	N/A				
To Canada(13)	Jul	2,186,707		41.9	-10.8	-5.3
Domestic Demand for Gasoline						
Barrels/Day(14)	Jul	7,316	thousand	-6.2	-2.2	-0.3

(1) Source: Smith Travel Research, seasonally unadjusted. (2) Preliminary; revised monthly. Source: Bureau of the Census. (3) Source: Smith Travel Research, seasonally adjusted, 1986 and 1987 data have been revised. (4) Smith Travel Research, unadjusted room nights sold. (5) Preliminary; U.S. scheduled service air carriers. Source: Air Transport Association. (6) Preliminary; revised monthly. Source: Federal Highway Administration. (7) Source: National Railroad Passenger Corporation (Amtrak). (8) Source: US Travel Data Center and Bureau of Labor Statistics. (9) Source: US Travel Data Center. (10) US Travel Data Center. Data is not comparable to earlier published numbers due to revised methodology. (11) Preliminary; unadjusted for differences in reporting units. Source: National Park Service. (12) Source: U.S. Travel and Tourism Administration. Mexican data reflect 1% arrivals only. (13) Statistics Canada (14) Preliminary; Source: U.S. Department of Energy.

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